

Mr. Chairman:

My name is Randy Overbey and I am President of Alcoa's Energy Business. We are grateful for the opportunity to appear before you today as you and Senator Lieberman prepare to address this issue, which is of such importance.

Alcoa is the world's leading producer of primary aluminum, fabricated aluminum and alumina, and is active in all major aspects of the industry. Alcoa serves the aerospace, automotive, packaging, building and construction, commercial transportation and industrial markets.

The company has over \$20 Billion in sales and operates in 38 countries. Over fifty percent of our operations are in North America with substantial operations in Europe, Australia, South America and Asia.

Alcoa is the leading producer of primary aluminum and fabricated aluminum in the United States. We also manufacture packaging materials, vinyl products and automotive electronic equipment.

Alcoa is a values-based company with a published vision to "be the best company in the world". In support of this vision, and our values, Alcoa has established clear measurable goals to achieve clearer air, better use of land and water, and the protection of human health. Our environmental goals include reducing our:

Sulfur Dioxide emissions 60% by 2010

Nitrogen Oxides 30% by 2007

Greenhouse gas emissions 25% by 2010

Alcoa has developed a Climate Change Policy. Rather than further debate the science, we have decided that the risk of significant climate change is an issue of vital importance requiring action. We have not waited on others, but we have moved forward.

The policy states that:

- **We will continue to improve energy efficiency in all our operations.**
- **We will improve our operations by implementing best practice technologies to reduce GHG emissions.**

Alcoa supports cooperative action by all countries that:

- **Reduce emissions to levels that will prevent dangerous changes to the world's climate systems utilizing least-cost global actions**
- **Rely on an open international economic system that would lead to sustain economic growth and development in all countries; and**
- **Encourage leadership from developed economies to enable all countries to contribute to effective management of greenhouse gas emissions.**

We are on target or ahead of target on all our environmental metrics. On Tuesday of this week Alain Belda, CEO of Alcoa announced that we have achieved a 9.1% reduction in SO₂ emissions, a 30% reduction in NO_x emissions, and a 23.5% reduction in greenhouse gas emissions.

Aluminum smelters periodically emit a GHG known as perfluorocarbon (PFC). These emissions usually occur when there is an interruption to the electrolytic smelting process, known as an “anode effect”.

Alcoa signed a national agreement, the Voluntary Aluminum Industrial Partnership with the EPA, to reduce PFC gases from anode effects in our smelters by at least 40% in year 2000 relative to emissions in the base year 1990. Similar voluntary agreements have been signed with agencies in Australia, Canada and Norway.

From 1990 to 2000, our efforts have reduced PFC emissions by 56% with almost a third of our 26 smelters achieving reduction of 80% or better. Our new goal with the EPA is to reduce these emissions an additional 27% by 2005. Last year, Alcoa received a Climate Protection Award from the EPA for progress in reducing these gases.

Beyond PFC emissions, Alcoa became a Charter member of the EPA’s Climate Leaders Program to make reductions in all other sources of GHG emissions from our facilities and signed a Memorandum of Understanding with the DOE/OIT in a proactive approach to our energy management.

In addition, Alcoa is presently developing an internal emission trading mechanism to focus even more strongly on emissions and to prepare for the future.

In light of our visions, values and internal goals, Alcoa appreciates the opportunity to support this committee's efforts to deal with Global Climate Change and its potential impacts.

We recognize and support the broad scope of this draft legislation and encourage you to address, as directly as possible, GHG emissions from all major sectors of the economy.

We believe a cap and trade system will provide the incentives and rewards necessary for all parties to initiate reductions in GHG emissions.

We also believe the caps and allowances are critical in their design. Any design must recognize the economy and our ability to compete, as well as the impact on emissions.

Alcoa recommends that the initial free allocation of emission certificates for impacted sources be at least 85% of the total allowance that the source's effective year needs. As the market develops and the full economic impacts of the cap and trade program are better understood, the allocation levels can be modified to ensure that the goals of the act are achieved in the least economically disruptive manner possible.

Otherwise, our primary aluminum plants, as well as many other manufacturing facilities that compete with plants located outside the U.S., may be put at significant economic risk. We also recommend that ultimate allocations be on a company-by-company basis to better recognize those companies that have taken early action to reduce GHGs.

We believe other key components of this proposed legislation are:

The inclusion of the six Greenhouse Gases recognized under the UN Framework on Climate Change.

Credits for reductions occurring after 1990 issued at the comparable rate as the base year allowances to recognize and reward early and significant GHG reduction efforts. Alcoa, as I have mentioned, has made substantial progress since 1990 and will continue to do so. We need to be credited for this work.

A National GHG Database and Registry in support of the cap and trade system.

A bonus for accelerated reductions for covered entities who sign agreements to reduce their GHG emissions below 1990 levels.

Alcoa appreciates the opportunity to make these comments and offers to work constructively with the committee as you move forward. We will try to answer whatever questions you may have.